PATENT

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In the Application of	
Applicants: James Benjamin Williams et al.	**Before the Board of Patent Appeals and Interferences**
Serial No. 10/797,889	
Filed: March 10, 2004	**Examiner Steven R. Wasylchak**
Title: Methods for issuing, distributing, managing and redeeming investment instruments providing securitized annuity options	**Art Unit 3624**

Commissioner of Patents and Trademarks
Washington, DC 20231

Dear Sir:

APPELLANTS' BRIEF

Real party in interest

The real party in interest is Retirement Engineering, Inc., a corporation having its principal place of business at 8 Faneuil Hall Marketplace, 3rd Floor, Boston, Massachusetts 02109, the sole owner of the present application.

Related appeals and interferences

None.

Status of claims

Claims 1-13 and 15-22 are pending and have been finally rejected and are appealed.

Status of amendments

No amendments were filed subsequent to final rejection.

Summary of claimed subject matter

The present invention takes the form of a method for issuing and managing an investment instrument that may take the form of a security or a contract which represents units or shares of an investment fund [pages 8-9], and for managing the investment fund that secures the obligation represented by the instrument [pages 9-12]. In accordance with the invention, the instrument entitles its holder to obtain either a lump sum payment at a stated maturity date [pages10-12] , or alternatively at the option of the holder, to obtain a sequence of annuity payments in amounts and at times specified by the instrument (for example, entitling the holder to receive $1 per month per share for the life of holder) [pages 12-14].

Independent claims 1, 2, 3, 10, 15 and 19, and selected additional dependent claims that recite further subject matter not disclosed or suggested by the cited references, are set forth below. In each claim, each element that is expressed as a step for performing a specified function is accompanied by a citation to representative portions of appellants' specification and drawings that describe the corresponding structure or acts. These citations appear in italics within the brackets following each recitation. These citations, as well as citations to appellants' disclosure appearing elsewhere in this brief, identify representative (and typically simplified) portions of appellants' specification, and should not be interpreted to suggest that no other passages in the application describe structure or acts that correspond to a given claimed step.

1. The method of issuing and managing investment instruments which comprises, in combination, the steps of:

establishing an investment fund, [See "The Accumulation Process" on pages 4-11; Fig. 2 at 111 through 118; See Example Fund Prospectus at page 66]

creating a security which represents a claim against and is secured by said investment fund, said security entitling its holder to receive, at one or more future maturity dates specified by said security, either a lump sum payment amount or, at the option of said holder, to receive a sequence of annuity payments, the amount and payment date of each of said annuity payments being specified by said security, [page 5, see definition of "security" on page 8, see description of the "fixed terminal value component" and the Normalized Annuity Option Contract on page 14; and "NAO terms" beginning at pages 27-28; and see Example Fund Prospectus, Shareholder Annuity Option at page 67]

transferring said security to a purchaser in exchange for a purchase price amount, [page 7, Fig. 1 at 11; Fig. 2 at 119;]

depositing at least a substantial portion of said purchase price amount into said fund, [pages 7-8, Fig. 1 at 11; Fig. 2 at 119]

investing the assets of said fund so that the net asset value of said fund at said maturity date should be adequate to pay to said holder either said lump sum payment amount or an amount adequate to purchase said annuity, and [See "The Accumulation Process" at pages 9-11; Fig. 1 at 13; Fig. 2 at 120 -130]

on or after said maturity date, transferring either said lump sum payment amount or said annuity payments to said holder as elected by said holder. [See "The Maturation Process" at pages 11 and 12 and "The Payout Process" at pages 12-14; Fig. 1 at 17, 19 and 21; Fig. 2 at 140]

2. A method for producing and distributing investment securities comprising, in combination, the steps of:

creating a security which comprises a contract in which the issuer of the security promises to pay to the holder of the security a predetermined guaranteed lump sum cash payment at a predetermined maturity date or to pay, in the alternative and at the option of the holder, a sequence of predetermined annuity payments at defined times, and [page 5, Fig. 2 at 111; See "Overview" at pages 7-9; see definition of "security" on page 8, see description of the "fixed terminal value component" and the Normalized Annuity Option Contract on page 14; and "NAO terms" beginning at pages 27-28; and see Example Fund Prospectus, Shareholder Annuity Option at page 67]

issuing said security to a holder in advance of said maturity date in return for a purchase price payment. [page 7, Fig. 1 at 11; Fig. 2 at 119;]

3. The method of issuing and managing investment instruments which comprises, in combination, the steps of:

establishing an investment fund or general account, [See last paragraph on page 5 and "Overview" on pages 7-9]

creating a written instrument which represents a number of units or shares owned by the holder of said instrument, each of said units or shares constituting a claim against or being secured by said investment fund or general account, said instrument entitling its holder to receive, at a future maturity date specified by said security, either a lump sum payment amount or, in the alternative and at the option of said holder, to future income consisting of a single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals, [page 5, Fig. 2 at 111; See "Overview" at pages 7-9; see definition of "security" on page 8, see description of the "fixed terminal value component" and the Normalized Annuity Option Contract on page 14; and "NAO terms" beginning at pages 27-28; and see Example Fund Prospectus, Shareholder Annuity Option at page 67]

transferring the rights conferred by said written instrument to a holder in exchange for a purchase price amount, and [page 7, Fig. 1 at 11; Fig. 2 at 119;]

on or about said maturity date, transferring to said holder either said lump sum payment amount or the right to receive said future income as elected by said holder. [See "The Maturation Process" at pages 11 and 12 and "The Payout Process" at pages 12-14; Fig. 1 at 17, 19 and 21; Fig. 2 at 140]

4. The method of issuing and managing investment instruments as set forth in claim 3 further comprising the step, performed during an accumulation period after said step of transferring and before said future maturity date, of publishing, reporting or otherwise revealing both the amount of said future income and the stated current monetary value of said units or shares expressed in said specified currency. [Page 6, lines 4-5; See "Defined Benefit Reporting" on pages 33-35; Fig. 1 at 23]

5. The method of issuing and managing investment instruments or contracts as set forth in claim 4 wherein said instrument further entitles its holder to redeem upon request made during said accumulation period some or all of said units or shares for said stated current monetary value [Page 7, see "The Maturation Process" at page 11; page 13; see also, the Example Prospectus, "REDEMPTION OF SHARES" at pages 77-78; and Fig. 1 at 23 and 25]

6. The method of issuing and managing investment instruments or contracts as set forth in claim 3 wherein said single monetary unit of a specified currency payable for each of said units or shares at periodic calendar intervals is a specified integral number of dollars payable monthly, quarterly or annually for each of said units or shares. [See generally, "The GRInS Effect at pages 38 and 40, Fig. 1 at 21]

7. The method of issuing and managing investment instruments or contracts as set forth in claim 3 wherein said single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals is one dollar per month for each of said units or shares. [Page 14, 46, Fig. 1 at 21]

8. The method of issuing and managing investment instruments or contracts as set forth in claim 5 wherein said single monetary unit of a specified currency payable for each of said units or shares at periodic calendar intervals is a specified integral number of dollars payable monthly, quarterly or annually for each of said units or shares. [page 6, Fig. 1 at 21]

9. The method of issuing and managing investment instruments or contracts as set forth in claim 5 wherein said single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals is one dollar per month for each of said units or shares. [page 6, Fig. 1 at 21]

10. A method for issuing and redeeming an investment instrument that entitles its holder to receive a specified minimum annuity income after a maturity date, said method comprising, in combination, the steps of:

issuing an investment instrument denominated as a number of units or shares each of which entitles the owner of said instrument to receive a specified monetary unit of a specified currency payable at periodic calendar intervals after said maturity date, [page 6, Fig. 1 at 21]

paying to said owner of said instrument at said maturity date a minimum lump sum cash payment specified by said instrument or, in the alternative and at the option the said owner, transferring to said owner in exchange for said instrument or said lump sum payment the right to receive for each of said units or shares at least said specified monetary unit of said specified currency payable at said periodic calendar intervals. [pages 10-14, Fig. 1 at 17, 19 and 21; Fig. 2 at 140]

11. A method for issuing and redeeming an investment instrument as set forth in claim 10 wherein said specified monetary unit in a specified currency payable at said periodic calendar intervals is one dollar per month for each of said units or shares. [page 6, Fig. 1 at 21]

12. The method of issuing and redeeming an investment instrument as set forth in claim 10 wherein said instrument further entitles its holder to redeem upon request made prior to said maturity date some or all of said units or shares for a stated current monetary value per unit or share periodically published, reported or revealed by the issuer of said instrument. [page 6,Fig. 1 at 23]

13. The method of issuing and redeeming an investment instrument as set forth in claim 11 wherein said instrument further entitles its holder to redeem upon request made prior to said maturity date some or all of said units or shares for a stated current monetary value per unit or share periodically published, reported or revealed by the issuer of said instrument. [page 6, Fig. 1 at 23]

15. The method of issuing and managing an investment instrument denominated as a number of units or shares each of which entitles a holder to receive a specified monetary unit of a specified currency at periodic calendar intervals, said method comprising the steps of:

issuing said product to said holder in exchange for an initial investment [pages 16-18, Fig. 2 at 118, 119],

after issuing said product, periodically publishing, reporting or otherwise revealing to said holder the stated current monetary value of said units or shares, [see "Defined Benefit Reporting" at pages 33-35, Fig. 1 at 23]

on or about at a specified future maturity date, paying a lump sum monetary payment to said holder which will provide a specified guaranteeble minimum rate of return on said initial investment during the accumulation period preceding said maturity date, and [pages 10-12, Fig. 1 at 19]

at the option of said holder exercised on or about said maturity date, converting all or part of said product or said lump sum monetary payment into the right to receive a guaranteeable annuity income consisting of at least said specified monetary unit of said specified currency for each of said units or shares payable at each of said periodic calendar intervals. [pages 12-14, Fig. 1 at 17 and 21]

16. The method of issuing and managing an investment product as set forth in claim 15 further comprising the step of redeeming said investment product at the request of said holder during said accumulation period by purchasing from said holder all or part of said units or shares prior to said maturity date for an amount substantially equal to said current monetary value of said units or shares. [pages 4, 7, 8 and 11, Fig. 1 at 23]

17. The method of issuing and managing investment instruments or contracts as set forth in claim 15 wherein said single monetary unit of a specified currency payable for each of said units or shares at periodic calendar intervals is a specified integral number of dollars payable monthly, quarterly or annually for each of said units or shares. [page 6, Fig. 1 at 21]

18. The method of issuing and managing investment instruments or contracts as set forth in claim 15 wherein said single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals is one dollar per month for each of said units or shares. [page 6, Fig. 1 at 21]

19. The method of issuing and managing an investment product that allows its holder to own a liquid investment asset and to know with reasonable certainty both the asset's minimum value at a future maturity date and to know the minimum annuity income that the asset can provide after said maturity date, said method including the steps of:

denominating said product as a number of units or shares each of which provide a minimum annuity income that said holder will have the right to receive each month after said maturity date, said minimum annuity income being expressed as a single monetary unit of a specified currency, [page 6, Fig. 1 at 21]

periodically publishing, reporting or otherwise revealing to said holder the stated current monetary value of said units or shares, [pages 33-35, Fig. 1 at 23]

upon demand made by said holder made prior to said maturity date, exchanging all or part of said units or shares for a redemption value substantially equal to said stated current monetary value, [pages 4, 7, 8 and 11, Fig. 1 at 23]

paying to said holder at said maturity date at least a specified minimum guranteeable lump sum payment amount, and [pages 10-12,Fig. 1 at 19]

converting, upon demand by said holder on or about said maturity date, all or part of said specified lump sum payment amount into an annuity which entitles the holder to receive said minimum annuity income for each of said units or shares. [pages 12-14, Fig. 1 at 17 and 21]

20. The method of issuing and managing an investment product as set forth in claim 19 wherein annuity provides said annuity income during the life said holder or the lives of said holder and a survivor, said product further specifies adjustments to the amount to be paid monthly based on the age of the holder or the age of the holder's survivor at the time all or part of said specified lump sum payment is converted to said annuity. [pages 12-14, Fig. 1 at 17 and 21]

21. The method of issuing and managing and investment product as set forth in claim 19 wherein said single monetary unit of a specified currency payable for each of said units or shares at periodic calendar intervals is a specified integral number of dollars payable monthly, quarterly or annually for each of said units or shares. [page 6, Fig. 1 at 21]

22. The method of issuing and managing an investment product as set forth in claim 21 wherein said single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals is one dollar per month for each of said units or shares. [page 6, Fig. 1 at 21]

Grounds of rejection to be reviewed on appeal

In the Office Action mailed on November 30, 2004, the Examiner finally rejected claims 1-13 and 15-22 under 35 U.S.C. §103(a) as being directed to subject manner which the Examiner asserts to be obvious in view of the teaching of Facciani et al. Patent 5,999,917 (hereinafter "Facciani"). The following grounds are presented for review:

Ground 1 (claims 1-13 and 15-22): The Examiner contends on page 2 in section 2 (1st occurrence), that "the choice or option between lump sum payment or annuity" as set forth in all of the pending claims is disclosed in Facciani. In support of this assertion, the Examiner cites the abstract ("...changes in asset allocation..."); col. 2 at lines 15-54; col. 1, line 60 to col. 2, line 13; col. 3, lines 49-53; col. 7, lines 28-31; and col. 8, lines 58-63. The Examiner's conclusion that a lump sum/annuity option is disclosed by Facciani is repeated in Section 3 for independent claims 1 and 2 (citing col. 1, line 37 to col. 2, line 12; and col. 7, lines 42-64) and for independent claims 3, 10, 15 and 19 (citing col. 1, lines 23-59; col. 3, lines 32-64; col. 6, lines 13-15 and col. 7, lines 5-48).

Ground 2 (claims 1 and 2): The Examiner concedes in section 3, at pages 3-4, that Facciani does not explicitly disclose the creation of a "security" as set forth in independent claims 1 and 2 but takes Official notice that "this feature is old and well known in the art," and asserts that it "would have been obvious to one of ordinary skill in the art at the time of appellants' invention to implement this feature for the advantage of establishing an agreement or contract representing a financial instrument creating liability and commercial liquidity."

Ground 3, Group A, claims 3, 10, 15 and 19: The Examiner contends that Facciani discloses the creation of units or shares which entitle the holder to receive future income that

consists of "a single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals" as set forth in independent claims 3, 10, 15 and 19. In support of these rejections, the Examiner cites col. 1, lines 23-59; col. 3, lines 32-64; col.. 6, lines 13-15 and col. 7, lines 5-48 of Facciani.

Ground 3, Group B, claims 6, 8, 17, and 21 : The Examiner contends that Facciani discloses the creation of units or shares which entitle the holder to receive future income that consists of "a specified integral number of dollars payable monthly, quarterly or annually." In support of these rejections, the Examiner cites col. 1, lines 23-59; col. 3, lines 32-64; col.. 6, lines 13-15 and col. 7, lines 5-48 of Facciani.

Ground 3, Group C, claims 7, 9, 11, 18 and 22: The Examiner contends that Facciani discloses the creation of units or shares which entitle the holder to receive future income that consists of "one dollar per month for each of said units or shares." In support of these rejections, the Examiner cites col. 1, lines 23-59; col. 3, lines 32-64; col.. 6, lines 13-15 and col. 7, lines 5-48 of Facciani.

<u>Argument</u>

The applicable law

All of the appealed claims are method claims directed to a combination of elements expressed as steps for performing specified functions without the recital of structure, material, or acts in support thereof. By statute, 35 U.S.C. §112, sixth paragraph, "such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof." *In re Donaldson Company, Inc.* 16 F.3d 1189, 29 U.S.P.Q.2d 1845 (Fed. Cir 1994).

In the preceding section of this Brief entitled "Summary of claimed subject matter," appellants have specified, for each element of each claim, those portions of appellants' specification and drawings which describe corresponding structures and acts for performing each recited method step. As detailed below, Facciani does not teach or suggest an equivalent to the method for creating and managing investment products disclosed in this application. Facciani's system for managing a Non-Qualified Deferred Compensation (NQDC) plan does not perform

the functions recited in the rejected claims, nor does it achieve the results or yield the benefits provided by appellants' disclosed method.

As shown below, there are numerous differences (in addition to those conceded to exist by the Examiner) between the method steps defined in the appealed claims and the method describe by Facciani. These differences are discussed below in the course of addressing each of the grounds enumerated above.

Ground 1 (claims 1-13 and 15-22)

The Examiner contends on page 2 in section 2 (1st occurrence), that "the choice or option between lump sum payment or annuity" as set forth in all of the pending claims is disclosed in Facciani. That is incorrect.

This ground of rejection was asserted against all claims which will be considered below as a group. Claim 1, which may be taken as representative, recites the step of creating a security instrument "*entitling its holder to receive, at one or more future [specified] maturity dates* * * * <u>*either a lump sum payment amount or, at the option of said holder, to receive a sequence of annuity payments, the amount and payment date of each of said annuity payments being specified*</u> *by said security.*"

Appellants' invention provides an investment product that specifies, and is denominated by, a stated future income in the form of annuity payments of stated amounts at stated intervals. As a result, for example, the investor knows that when he or she reaches retirement age, each purchased share will be worth "one dollar per month for life," which can instead be taken as a lump sum payment. This mechanism makes it easy for the investor to understand the relationship between the current cost and the future value of the investment. Neither the Facciani fund management system, nor the NQDC investment plans which the Facciani system manages, work in the ways claimed by appellants. Facciani does not entitle plan participants to receive future annuity payments in stated amounts at specified times, and as a consequence those participants do not have a mechanism for obtaining a meaningful understanding of the extent to which a current investment will be translated into disposable income available after retirement is reached

Facciani nowhere discloses or suggests creating an obligation to make future annuity payments to individual investors. Instead, Facciani teaches a system which calculates, on a daily basis, both the assets and the liabilities of a Non-Qualified Deferred Compensation (NQDC) plan, provides information to plan sponsors and asset managers if changes in the reported asset allocation are required, and projects assets and liabilities into the future. While the NQDC plans with which the Facciani reporting system deals do provide a lump sum payment to the investor at maturity as stated at column 1, line 51, Facciani nowhere discloses or suggests that these investment plans provide plan participants with the option to receive at maturity, as an alternative to receiving a lump sum payment, a sequence of predefined annuity payments to be made at defined times. This feature of appellants' invention is clearly set forth in all of the rejected claims and is nowhere disclosed or suggested by Facciani.

The only reference to "annuities" found in Facciani relates to the purchase of annuities to fund the managed NQDC plan – not to annuities which are provided to plan participants. As Facciani explains at col. 1, lines 23-33:

> *"For many years the majority of employee benefits <u>have been funded through the purchase of</u> stocks, mutual funds, corporate owned life insurance (COLI) and <u>annuities.</u> The value of these assets was generally provided on a quarterly or monthly basis, and the liabilities of these benefit plans have generally been made available on an annual or perhaps quarterly basis. Therefore, plan sponsors have had to wait six to twelve months for information about the current funded status of a benefit plan.*

Facciani's automated management system is used to administer a specific type of investment plan, a Non-Qualified Deferred Compensation Plan (NQDC). Facciani's system provides plan sponsors with information about the assets (including annuities) that fund the plan. While the NQDC plans which the Facciani system helps manage may include purchased annuities as part of their asset portfolio, there is no suggestion anywhere that these plans provide the investor with an option to obtain an annuity of any kind, let alone the right specified in appellants' claims to receive a sequence of annuity payments, the amounts and payment dates of which are specified in the security.

All of the appealed claims clearly set forth a method for providing an instrument holder with the option to receive either a lump sum payment at a specified maturity data or, at the option of the holder, to instead receive annuity payments of specified amounts and at specified

times. Under the NQDC plans described by Facciani, while the investor may be promised a specified return on his or her investment held by the plan prior to maturity (see column 1, line 48) which is then realized as a lump sum payment, there is no disclosure or suggestion anywhere in Facciani that the plan participant has the right to receive either a lump sum payment or, at the option of the plan participant, instead receive specified annuity payments at specified times.

The Examiner cited several passages in Facciani in support of this ground for rejection. As detailed below, however, none of these passages suggests or discloses creating an obligation of any kind which entitles the investor to receive either a lump sum payment amount or, at the option of the investor, to receive a sequence of specified annuity payments. Each of the several passages cited by the Examiner is addressed individually below:

The abstract ("...changes in asset allocation..."): The cited passage describes the manner in which an asset manager is provided with information about the assets held by a given plan, possibly including annuities, and indicates when changes in asset allocations should be made. This passage says nothing about the nature of the payment to which a plan investor would be entitled and clearly says nothing about giving an investor the right to receive either a lump sum or, at the option of the investor, a sequence of annuity payments. Instead, the cited passage describes how asset managers can automate the purchase of assets (including annuities) to fund the plan.

Col. 1, line 23 to col. 2, line 13: This cited passage explains how NQDC employee benefit plans work, including plans which provide a guaranteed rate of return to produce a lump sum payout at maturity (col. 1, line 50), and plans which work like mutual funds, paying out an amount dependent on the value of the fund at the time of conversion (col. 2, line 8). Nothing in this passage suggests giving the investor an option to receive a lump sum or specified annuity payments.

Col. 2 at lines 15-54: This passage explains how the plan sponsor invests in assets to fund the liability to the investor. These assets may take various forms, including purchased annuities, which have no relationship to the obligation to the investor. Again, this passage describes how fund managers purchase assets and does not describe giving an investor an option to receive a lump sum or specified annuity payments as claimed.

Col. 3, lines 32-64: This passage describes how the Facciani system tracks and compares the assets and liabilities of a given NQDC plan to provide the information needed by fund managers. It does not disclose or suggest giving an individual investor the right to received a lump sum payment at a specified maturity date, or at the investor's option to receive specified annuity payments.

Col. 6, lines 13-15: This passage describes how a fund manager may buy or sell assets to change the asset allocation for a particular fund. It says nothing about the nature of payments to which individual plan investors are entitled.

Col. 7, lines 5-64: This cited passage describes how the assets and liabilities of a given plan are calculated in order to generate summary reports for plan managers. It does not describe the payments to which individual investors are entitled, and clearly does not describe giving the investor the right to receive either a lump sum payout at maturity or, at the investor's option, to instead received specified annuity payments.

Col. 8, lines 58-63. This describes, with reference to Fig. 9, how a plan participant (investor) can make deferrals or changes (purchases or conversions) in the participant's funds by telephone or using a computer telephone terminal. This passage does not disclose or suggest that the investor has a right to receive a lump sum payment, or in the alternative, to receive specified annuity payments as claimed.

Ground 1 – Conclusion: Facciani nowhere discloses or suggests the claimed step of creating an instrument which entitles the holder to receive a specified lump sum payment at maturity or, in the alternative, to receive annuity payments of specified amounts at specified times. The rejection of all pending claims on this ground was erroneous and should be withdrawn. Moreover, the presence of this optional annuity payment feature in all the pending claims justifies their allowance over Facciani.

Ground 2 (claims 1 and 2)

The Examiner's second ground for rejection is based on the assertion that, while Facciani does not explicitly disclose the creation of a "security" as set forth in independent claims 1 and 2, Official notice is taken that "this feature is old and well known in the art." The Examiner asserts that it "would have been obvious to one of ordinary skill in the art at the time of applicants'

invention to implement this feature for the advantage of establishing an agreement or contract representing a financial instrument creating liability and commercial liquidity."

As explained on page 8 of appellants' specification, the obligation to pay lump sum or, at the option of investor, to make specified annuity payments, preferably packaged as shares or units which are "securities" as that term is defined by the Uniform Commercial Code. By their nature such "Pension Shares" are fungible and may be bought, sold, exchanged and redeemed by the current holder. The resulting, securitized obligation to pay a lump sum or provide a specified annuity has the advantages discussed above (e.g., making it easier for the investor to understand the relationship between the current cost and the future value of the investment), coupled with the advantages that from securitizing this obligation (standardization, fungibility, transferability, and preserving the anonymity of the holder, as noted on page 5).

Ground 2 – Conclusion: While the Examiner was correct in taking official notice that securities per se are "old and well known in the art," the Examiner has identified nothing which would justify the conclusion that known securities have the attributes claimed, that it would be obvious to create a security having the attributes claimed, that contracts of any kind have the attributes claimed or, specifically, that it would have been obvious to both (1) create contracts of the type claimed and (2) additionally implement those contracts as shares are "securities" as defined by the U.C.C. The industry has never created such an investment product despite the long felt need described in the Background of the Invention at pages 2-4. The Examiners' conclusion that creating the new kind of security defined in claims 1 and 2 would have been obvious is not justified by the art of record. Indeed, the NQDC plans managed by the Facciani system do not solve, nor do they attempt to solve, problems inherent in conventional pension plans which are successfully addressed by appellants' invention.

The rejection of claims 1 and 2 should be reversed for the reasons stated in connection with Ground 1 above, and for the additional reason that the Examiner has identified no proper basis for concluding that the securitization of an obligation to pay a lump sum, or provide specified annuity payments at the option of a holder, would have been obvious.

Ground 3, Group A, claims 3, 10, 15 and 19:

As a further important feature of appellants' preferred method of issuing and managing an investment product, the shares or units provided to the holder are denominated as a "a single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals" as set forth in independent claims 3, 10, 15 and 19. As explained on page 6 of appellants' specification, "Unitizing the relation of future income to current values, whether as a share, unit, or an abstraction such as "$1/month for life" reveals the price now of income in the future, which makes it obvious how to trade off current consumption versus future consumption. The average investor needs no special training, no professional advice, and doesn't need to work with a calculator to understand what is being purchased, and to understand the future value of shares already purchased. Because market forces provide the current price of a share which will be worth "$1/month for life," the investor can much more easily understand the choices that are available. For example, an investor can be given a periodic report of the kind illustrated on page 35 of appellants' specification which reveals that a 47 year old investor who has already purchased 3,351 shares will be entitled to receive either a lump sum payout or $3,351/month for life, and can purchase additional shares for $70 each. By specifying the annuity payment as "a single monetary unit of specified currency" (e.g. $1 dollar), payable at periodic calendar intervals (e.g. monthly), the investor can much more easily understand the value of each share. Nothing like that is suggested by Facciani.

The Examiner contends that Facciani discloses the creation of units or shares which entitle the holder to receive future income that consists of "a single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals" as set forth in independent claims 3, 10, 15 and 19, and cites col. 1, lines 23-59; col. 3, lines 32-64; col. 6, lines 13-15 and col. 7, lines 5-48 of Facciani.

Col. 1, lines 23-59: This passage gives, as an example, an investment of $1,000 that ultimately results in a payout of $1,075 at maturity. There is no suggestion that the investor purchased shares on any denomination, let alone shares which specify the payment of a specified unit of currency payable at calendar intervals as claimed.

Col. 3, lines 32-64: This cited passage describes how the Facciani system determines the value of assets and liabilities by determining the current unit price and multiplying that price by

the number of units held. Nothing in this passage suggests that the holder of shares is entitled to receive a specified monetary unit of a specified current at periodic calendar intervals as claimed.

Col. 6, lines 13-15 discloses how buy and sell instructions are issued by plan sponsors, a subject unrelated to what plan participants are entitled to receive.

Col. 7, lines 5-48: This passage describes how asset allocations for the plan are summarized and likewise fails to disclose or suggest anything about how shares held by plan participants are denominated,

Ground 3, Group A, claims 3, 10, 15 and 19, Conclusion: The rejection of these four independent claims and their dependent claims (i.e., claims 3-13 and 15-22) on the ground that Facciani discloses issuing an investment instrument denominated as a number of shares each of which entitles the holder to receive a specified monetary unit of a specified currency at periodic calendar intervals is not supported by any of the passages cited by the Examiner, and all of these claims are allowable for this additional reason.

Ground 3, Group B, claims 6, 8, 17, and 21 :

Dependent claims 6, 8, 17 and 21 each more specifically recite that promised future income consists of "a specified integral number of dollars payable monthly, quarterly or annually." In support of these rejections, the Examiner relied upon the same passages in Facciani cited against their parent claims in Group A and, for the reasons given above, these passages fail to disclose or suggest the subject matter as even more specifically claimed. Claims 6, 8, 17 and 21 thus recite an additional level of detail not disclosed by Facciani and are allowable for that additional reason, as well as the reasons given above for their parent claims.

Ground 3, Group C, claims 7, 9, 11, 18 and 22:

The dependent claims in Group C specifically require the creation of units or shares which entitle the holder to receive future income that consists of "one dollar per month for each of said units or shares," a feature which is nowhere taught in any of the cited passages. The claims in Group C are allowable for this further reason.

Conclusion

The Board is respectfully requested to reverse the Examiner's rejection of claims 1-13 and 15-22 under 35 U.S.C. §103(a) as being directed to subject manner which the Examiner asserts to be obvious in view of the teaching of Facciani et al. Patent 5,999,917.

Claims appendix.

An appendix containing a copy of the claims involved in the appeal is attached.

Respectfully submitted,

Dated: January 4, 2005

Charles G. Call, Reg. 20,406

<u>Certificate of Transmission under 37 CFR 1.8</u>

I hereby certify that this *Appellants' Brief* is being transmitted by facsimile to the central facsimile number of the U.S. Patent and Trademark Office, (703) 872-9306, on January 4, 2006.

Dated: January 4, 2005

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CLAIMS APPENDIX

1. The method of issuing and managing investment instruments which comprises, in combination, the steps of:

establishing an investment fund,

creating a security which represents a claim against and is secured by said investment fund, said security entitling its holder to receive, at one or more future maturity dates specified by said security, either a lump sum payment amount or, at the option of said holder, to receive a sequence of annuity payments, the amount and payment date of each of said annuity payments being specified by said security,

transferring said security to a purchaser in exchange for a purchase price amount,

depositing at least a substantial portion of said purchase price amount into said fund,

investing the assets of said fund so that the net asset value of said fund at said maturity date should be adequate to pay to said holder either said lump sum payment amount or an amount adequate to purchase said annuity, and

on or after said maturity date, transferring either said lump sum payment amount or said annuity payments to said holder as elected by said holder.

2. A method for producing and distributing investment securities comprising, in combination, the steps of:

creating a security which comprises a contract in which the issuer of the security promises to pay to the holder of the security a predetermined guaranteed lump sum cash payment at a predetermined maturity date or to pay, in the alternative and at the option of the holder, a sequence of predetermined annuity payments at defined times, and

issuing said security to a holder in advance of said maturity date in return for a purchase price payment.

3. The method of issuing and managing investment instruments which comprises, in combination, the steps of:

establishing an investment fund or general account,

creating a written instrument which represents a number of units or shares owned by the holder of said instrument, each of said units or shares constituting a claim against or being secured by said investment fund or general account, said instrument entitling its holder to receive, at a future maturity date specified by said security, either a lump sum payment amount or, in the alternative and at the option of said holder, to future income consisting of a single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals,

transferring the rights conferred by said written instrument to a holder in exchange for a purchase price amount, and

on or about said maturity date, transferring to said holder either said lump sum payment amount or the right to receive said future income as elected by said holder.

4. The method of issuing and managing investment instruments as set forth in claim 3 further comprising the step, performed during an accumulation period after said step of transferring and before said future maturity date, of publishing, reporting or otherwise revealing both the amount of said future income and the stated current monetary value of said units or shares expressed in said specified currency.

5. The method of issuing and managing investment instruments or contracts as set forth in claim 4 wherein said instrument further entitles its holder to redeem upon request made during said accumulation period some or all of said units or shares for said stated current monetary value

6. The method of issuing and managing investment instruments or contracts as set forth in claim 3 wherein said single monetary unit of a specified currency payable for each of said units or shares at periodic calendar intervals is a specified integral number of dollars payable monthly, quarterly or annually for each of said units or shares.

7. The method of issuing and managing investment instruments or contracts as set forth in claim 3 wherein said single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals is one dollar per month for each of said units or shares.

8. The method of issuing and managing investment instruments or contracts as set forth in claim 5 wherein said single monetary unit of a specified currency payable for each of said units or shares at periodic calendar intervals is a specified integral number of dollars payable monthly, quarterly or annually for each of said units or shares.

9. The method of issuing and managing investment instruments or contracts as set forth in claim 5 wherein said single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals is one dollar per month for each of said units or shares.

10. A method for issuing and redeeming an investment instrument that entitles its holder to receive a specified minimum annuity income after a maturity date, said method comprising, in combination, the steps of:

issuing an investment instrument denominated as a number of units or shares each of which entitles the owner of said instrument to receive a specified monetary unit of a specified currency payable at periodic calendar intervals after said maturity date,

paying to said owner of said instrument at said maturity date a minimum lump sum cash payment specified by said instrument or, in the alternative and at the option the said owner, transferring to said owner in exchange for said instrument or said lump sum payment the right to receive for each of said units or shares at least said specified monetary unit of said specified currency payable at said periodic calendar intervals.

11. A method for issuing and redeeming an investment instrument as set forth in claim 10 wherein said specified monetary unit in a specified currency payable at said periodic calendar intervals is one dollar per month for each of said units or shares.

12. The method of issuing and redeeming an investment instrument as set forth in claim 10 wherein said instrument further entitles its holder to redeem upon request made prior to said maturity date some or all of said units or shares for a stated current monetary value per unit or share periodically published, reported or revealed by the issuer of said instrument.

13. The method of issuing and redeeming an investment instrument as set forth in claim 11 wherein said instrument further entitles its holder to redeem upon request made prior to said maturity date some or all of said units or shares for a stated current monetary value per unit or share periodically published, reported or revealed by the issuer of said instrument.

15. The method of issuing and managing an investment instrument denominated as a number of units or shares each of which entitles a holder to receive a specified monetary unit of a specified currency at periodic calendar intervals, said method comprising the steps of:

issuing said product to said holder in exchange for an initial investment,

after issuing said product, periodically publishing, reporting or otherwise revealing to said holder the stated current monetary value of said units or shares,

on or about at a specified future maturity date, paying a lump sum monetary payment to said holder which will provide a specified guaranteeble minimum rate of return on said initial investment during the accumulation period preceding said maturity date, and

at the option of said holder exercised on or about said maturity date, converting all or part of said product or said lump sum monetary payment into the right to receive a guaranteeable annuity income consisting of at least said specified monetary unit of said specified currency for each of said units or shares payable at each of said periodic calendar intervals.

16. The method of issuing and managing an investment product as set forth in claim 15 further comprising the step of redeeming said investment product at the request of said holder during said accumulation period by purchasing from said holder all or part of said units or shares prior to said maturity date for an amount substantially equal to said current monetary value of said units or shares.

17. The method of issuing and managing investment instruments or contracts as set forth in claim 15 wherein said single monetary unit of a specified currency payable for each of said units or shares at periodic calendar intervals is a specified integral number of dollars payable monthly, quarterly or annually for each of said units or shares.

18. The method of issuing and managing investment instruments or contracts as set forth in claim 15 wherein said single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals is one dollar per month for each of said units or shares.

19. The method of issuing and managing an investment product that allows its holder to own a liquid investment asset and to know with reasonable certainty both the asset's minimum value at a future maturity date and to know the minimum annuity income that the asset can provide after said maturity date, said method including the steps of:

denominating said product as a number of units or shares each of which provide a minimum annuity income that said holder will have the right to receive each month after said maturity date, said minimum annuity income being expressed as a single monetary unit of a specified currency,

periodically publishing, reporting or otherwise revealing to said holder the stated current monetary value of said units or shares,

upon demand made by said holder made prior to said maturity date, exchanging all or part of said units or shares for a redemption value substantially equal to said stated current monetary value,

paying to said holder at said maturity date at least a specified minimum guranteeable lump sum payment amount, and

converting, upon demand by said holder on or about said maturity date, all or part of said specified lump sum payment amount into an annuity which entitles the holder to receive said minimum annuity income for each of said units or shares,

20. The method of issuing and managing an investment product as set forth in claim 19 wherein annuity provides said annuity income during the life said holder or the lives of said holder and a survivor, said product further specifies adjustments to the amount to be paid

monthly based on the age of the holder or the age of the holder's survivor at the time all or part of said specified lump sum payment is converted to said annuity.

21. The method of issuing and managing and investment product as set forth in claim 19 wherein said single monetary unit of a specified currency payable for each of said units or shares at periodic calendar intervals is a specified integral number of dollars payable monthly, quarterly or annually for each of said units or shares.

22. The method of issuing and managing an investment product as set forth in claim 21 wherein said single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals is one dollar per month for each of said units or shares.